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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 28th October 1981

The usual end-month torpor descended on the exchanges today. The dollar declined with short-term interest rates and finished at the day's low levels. Sterling survived some professional selling this morning and thereafter saw only desultory two-way business. The ERI closed slightly lower at 88.2.

The pound closed better at 1.8190 yesterday in New York, with the dollar on an easier tack. This morning, with the dollar yet a little easier, sterling began at 1.8180 and traded at 1.8210 on the early exchanges before settling around 1.82. Some modest uptick in Euro-dollar rates turned the dollar better and sterling met some professional selling, falling to 1.8150 in mid-morning. By early afternoon, however, the pound had crested 1.82 again as the dollar eased once more. Federal funds opened lower at 14% but tended firmer in early dealings and the dollar bounced back again. Sterling declined to 1.8155 but, towards the close, the dollar weakened quite sharply and the pound was dealt up to 1.8210 before closing at 1.82. The cost of three-months' forward cover was unchanged at 3/16% p.a. with Euro-dollar and sterling deposits each 3/16% softer at 16¼% and 16 9/16% respectively. The covered differential thus remained modestly in London's favour.

The pound lost ¼% in Paris (10.46¼) and Frankfurt (4.16¼), ½% in Zurich (3.44). The dollar eased in these centres to 5.7475, 2.29 and 1.8905 respectively. The Swiss bought \$50mn. as their franc advanced to 0.82½ against the deutschemark. The French and German currencies spanned EMS, some 2% apart at the close. The Germans sold \$95mn. and \$3mn.-worth of French francs; the French bought \$90mn. and \$33mn.-worth of deutschemarks. Elsewhere the Swedes sold \$30mn. and the Japanese \$38mn. The yen closed at \$235.05 in Tokyo but recovered to 234 in London.

Gold recovered somewhat from yesterday's depression but still made scant headway against the dollar's decline and closed on a downbeat. Fixings were \$431.50 and \$430.80 and the final price around \$430.

Operations:	New Zealand	-	\$15mn.
	Australia	-	9
	Interest	+	12
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		-	\$12mn.
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